

VZCZCXR05318
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #5902/01 2840806

ZNR UUUUU ZZH
P 110806Z OCT 06
FM AMEMBASSY TOKYO

TO RUEHC/SECSTATE WASHDC PRIORITY 7293
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOC/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
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UNCLAS SECTION 01 OF 08 TOKYO 005902

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E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 10/11/06

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ARTICLES:

(1) North Korea in bind due to financial sanctions; Freeze on General Secretary Kim's 24 million dollars; Funds to buy loyalty depleted

YOMIURI (Page 3) (Excerpts)
October 11, 2006

North Korea has opted to confront the international community by announcing that it has conducted a nuclear test. General Secretary Kim Jong Il, the country's supreme leader, has taken an ultra-hard-line measure, while being fully aware that his nation's economy will suffer a further setback when hit by even tougher sanctions following the nuclear test. He presumably judged that the only way for his country to survive is to take the international community's encirclement net as a "crisis" for his communist regime and strike back by making North Korea into a nuclear power. What drove North Korea into going to such an extreme?

Oct. 10 marked the 61st anniversary of the formation of the Korean Workers Party. However, according to press reports from Pyongyang, there was no celebratory mood in the city. The communist party's organ paper Rodong Shinmun and the cabinet's organ paper Democratic Korea carried an editorial praising the party's politics for giving priority to military matters, but it did not refer to the nuclear test.

Professor Kim Yong Su at Sogang University explained, "North Korea is in a tense situation."

The main reason is the impact of international sanctions. The US in September 2005 invoked financial sanctions against Banco Delta Asia (BDA) in Macau, a bank with which North Korea had an account, citing the DPRK's use of the bank to launder money gained from

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counterfeiting greenbacks. Financial institutions of about 20 countries, such as France and Singapore, followed suit and stopped transactions with North Korea. North Korea has come up short so seriously that it asked a South Korean bank, which had set up a branch in the Kaesong Industrial Park, a project jointly being developed by the two Koreas, to open a bank account for the North, but its request was turned down.

Secretary Kim was hard hit by the financial sanctions, because the

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money in the frozen account - approximately 24 million dollars - was reportedly his own funds, which he used to govern the country. He had used this money in order to secure loyalty by showing "Dear Leader's" consideration, awarding Mercedes cars and expensive watches to senior officials and food to ordinary citizens. Chong Song Jang, researcher at the South-North Relations Research center of the Sejong Institute noted, "Now Kim cannot give gifts, since he cannot withdraw that money. He lost face, so another aim of the nuclear test therefore was for Secretary Kim to restore face."

Flood damage caused by torrential rains in mid-July added to the setback stemming from the financial sanctions. The North Korean side reported the death toll at about 850. However, damage to homes was enormous. Pyongyang asked Seoul to send cement for recovery work. Professor Kim noted, "The morale of not only the civilian population as well as the military was seriously damaged due to the flood damage -- though the military received a temporary boost when the North test-fired missiles on July 5. Secretary Kim probably wanted to restore morale damaged by the flood."

Rumor about power struggle between party and military

Rumor has it that infighting is taking place within the leadership, which has engaged in competition to show loyalty to Kim. South Korea's Yonhap News Agency reported that Kim and the military jointly decided to carry out the nuclear test. The Foreign Ministry, which has failed to win concessions from the US, though it is in charge of the six-party talks, was kept in the dark.

The military and the party have been considered as two wheels of a

cart for the North Korean regime. The view is growing, however, that an increasing number of party members are unhappy with the situation in which the military alone is becoming powerful due to the regime's trend of giving top priority to military matters.

(2) Why did North Korea carry out nuclear test on Oct. 10? Did it choose day between anniversary of assumption of Secretary Kim and anniversary of formation of Korean Workers Party? Tit-for-tat action against Japanese, South Korean leaders?

YOMIURI (Page 3) (Full)
October 11, 2006

The predominant view is that North Korea decided to conduct a nuclear test on the day between the 8th, the 9th anniversary of the assumption of Kim Jong Il as Secretary of the North Korean Communist Party and the 10th, the 61st anniversary of the formation of the Korean Workers Party - Oct. 9.

Professor Nam Song Uk at Koryo University in South Korea, noted, "Chances are high that North Korea had been preparing to conduct the test on the 9th, since it released the announcement on Oct. 3 notifying its plan to carry out such a test."

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There were no reports on Kim's activities since his inspection of the Kimkangsan test site on Sept. 15. But on the evening of Oct. 5, he reportedly met with participants of a congress of the commander of the Korean People's Army and the battalion political leadership. The prevailing view is that Kim withdrew into seclusion during this 19-day period and decided to carry out a nuclear test, after drawing up a strategy. It is true that Kim frequently meets with mid-ranking military personnel before he makes key decisions.

Some also take the view that Kim chose Oct. 9 to get his revenge on Prime Minister Abe, who has been taking a hard-line stance toward Pyongyang, and South Korea President Roh Moo Hyun, who has suspended humanitarian assistance to North Korea under international pressure. He, however, avoided Oct. 8, when the Japan-China summit meeting took place, thereby staving off infuriating China.

North Korea has apparently prepared the nuclear test under extraordinary secrecy. Even so, the US had detected Pyongyang's moves. Japanese and US government officials during last week's meeting shared the view that there was a possibility of Pyongyang conducting a nuclear test over the weekend.

(3) Japan, US to study WMD countermeasures

YOMIURI (Page 2) (Full)
October 11, 2006

Japan and the United States will set about an intergovernmental study of a framework for bilateral cooperation, as well as specific measures, in order to prevent the proliferation of damage resulting from the actual use of weapons of mass destruction, such as nuclear, biological, and chemical (NBC) weapons. The Japanese and US governments will hold a meeting of senior working-level officials in Washington from Oct. 11 to talk about the realignment of US forces in Japan and other bilateral issues. At the same time, working-level officials from the Japanese Defense Agency and the US Department of Defense will exchange views for the first time.

The two governments have decided to move up their initial schedule for their talks since North Korea went ahead with a nuclear test. North Korea has admitted to its possession of biological and chemical weapons. North Korea's stockpiles of chemical weapons amount to 4,000 tons, according to the South Korean National Intelligence Service.

In their upcoming consultations, the Japanese and US governments, with North Korea's potential use of NBC weapons in mind, will presumably focus on specific measures, such as: 1) decontaminating areas contaminated with the use of NBC weaponry; and 2) preparing to conduct military operations on a standing basis in contaminated

areas. The two governments also mull working together to develop anti-NBC equipment in the future.

The two governments will have the results of their consultations reflected in their "bilateral defense planning" for emergencies in Japan and also in their "mutual cooperation planning" for emergencies in areas surrounding Japan.

(4) Japan, US will now work in even closer cooperation

SANKEI (Page 3) (Full)
October 11, 2006

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By Satoshi Morimoto, professor at Takushoku University Graduate School of Institute for International Cooperation Studies

North Korea's nuclear test was presumably still in a primitive stage, so I don't think a full-fledged device was exploded. In order to enhance the effectiveness, more than one nuclear test is necessary. A second test will likely take place soon. Following ballistic missile launches, Pyongyang is pursuing the development of weapons of mass destruction in defiance of the six-party agreement. It perhaps believes there are many things to gain by this, and nothing to lose.

Pyongyang appears to be expecting the United States to capitulate. But the US instead may aim at "regime change" of the Kim Jong Il structure. Japan and the US must work in even closer cooperation than before in order to overcome this nuclear crisis.

The most crucial matter is that if the United Nations Security Council (UNSC) adopts a resolution in accordance with the UN Charter's Chapter 7, searches of North Korean ships on the high seas would be carried out as part of the sanction measures, but (Japan) has no legal ground for carrying out such inspections.

There is no legal ground for such ship searches, even though under the Ship Inspection Act, the Maritime Self-Defense Force (MSDF) can stop and search ships in the event of a contingency in an area surrounding Japan. If Japan establishes a special measures law and joins the US in ship searches, which is a part of a naval blockade, it must anticipate using armed force. I don't think the SDF can take part in this kind of operation without first either altering the interpretation of the right to collective self-defense or amending the Constitution.

On the plan to introduce missile defense, calls to speed up deployment have been growing stronger since North Korea's missile launches. But even more important, Japan and the US must first coordinate their chains of command in preparation for such a joint operation. We tend to pay too much attention to equipment, for instance, buying more bullets from the US, but we sidestep how Japan and the US will actually cooperate in an operation, though that aspect is critical.

From a different point of view, North Korea's actions can be viewed as driving us into a corner. Instead of irresponsibly saying, "We have no way to deal with the North Korean threat," policy makers must devote themselves to passing legislation that set the proper rules.

(5) Poll on Abe cabinet, political parties, educational reform, North Korea, China, South Korea

ASAHI (Page 4) (Full)
October 11, 2006

Questions & Answers

(Figures shown in %, rounded off. Bracketed figures denote proportions to all respondents. Parentheses denote the results of a survey conducted Sept. 26-27.)

Q: Do you support the Abe cabinet?

Yes	63	(63)
No	14	(18)

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Q: Why? (One reason only. Left column for those marking "yes" on previous question, and right for those saying "no.")

The prime minister is Mr. Abe	21(14)	11(2)
It's an LDP-led cabinet	19(12)	39(6)
From the aspect of policies	29(18)	40(6)
No particular reason	28(18)	7(1)

Q: Which political party do you support now?

Liberal Democratic Party (LDP)	42	(39)
Democratic Party of Japan (DPJ or Minshuto)	14	(14)
New Komeito (NK)	2	(3)
Japanese Communist Party (JCP)	2	(2)
Social Democratic Party (SDP or Shaminto)	1	(1)
People's New Party (PNP or Kokumin Shinto)	0	(0)
New Party Nippon (NPN or Shinto Nippon)	0	(0)
Liberal League (LL or Jiyu Rengo)	0	(0)
None	33	(35)
No answer (N/A) + don't know (D/K)	6	(6)

Q: Do you think Mr. Abe is a man of ability for prime minister, or do you otherwise think he's falling behind in his popularity?

He's a man of ability for prime minister	18
He's falling behind in his popularity	56

Q: North Korea proclaimed on the morning of Oct. 9 that it had conducted an underground nuclear test. Do you feel a threat from North Korea due to its recent nuclear test? (One choice only)

Feel strongly	44
Feel somewhat	38
Don't feel very strongly	13
Don't feel at all	4

Q: Do you think the international community should pursue dialogue with North Korea from now on, or do you otherwise think it should weigh sanctions against that country?

Dialogue	26
Sanctions	62

Q: Prime Minister Abe visited China and South Korea on Oct. 8-9 and met with their leaders. Do you appreciate this?

Yes	83
No	8

Q: In the Japan-China summit talks, China called for Japan to resolve the history issue, including the problem of visiting Yasukuni Shrine. Prime Minister Abe stated that he wouldn't say whether he would visit there or not. Instead, he answered that he would like to deal with the problem in an appropriate manner. Do you appreciate Mr. Abe for this response?

Yes	52
No	33

Q: Do you think Prime Minister Abe's visit to China this time will improve diplomatic relations between Japan and China?

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Yes	57
No	25

Q: Then, do you think his visit to South Korea this time will improve diplomatic relations between Japan and South Korea?

Yes	56
No	26

Polling methodology: The survey was conducted from the evening of Oct. 9 through the evening of Oct. 10 over the telephone on a computer-aided random digit dialing (RDD) basis. Respondents were chosen from among the nation's voting population on a three-stage random-sampling basis. Valid answers were obtained from 1,023 persons (58%).

(6) Internet polling: Abe cabinet popular with unaffiliated young women

TOKYO SHIMBUN (Page 2) (Full)
October 3, 2006

The rate of public support for Prime Minister Shinzo Abe and his newly inaugurated cabinet was 56.1% in the Tokyo Shimbun's latest 5th Internet poll of monitors on political trends. In the breakdown of public support for the Abe cabinet, the approval and disapproval ratings among men were split evenly at 50.0% each. Among women, however, the approval rating was 63.0%. The Abe cabinet's popularity among women was overwhelmingly higher than that among men.

Looking at the age brackets of women supporting the Abe cabinet, those in their 20s marked the highest rate of support at 70.0%.

In the breakdown of women supporting the Abe cabinet into supporters for political parties, 54.8% of those in their 30s and 51.9% of those in their 40s answered that they had no political party to support. In the bracket of those in their 20s, those who have no party to support accounted for 38.1%. The proportion of women with no particular party affiliation in these age brackets was higher than that of women supporting the ruling Liberal Democratic Party in the corresponding age brackets.

The smart, soft image of Abe seems to have gathered support from young women who have no party to support.

Meanwhile, the approval rating for the Abe cabinet was below 50% among men in some age brackets. In particular, among men of Abe's generation in their 50s, the approval rating for the Abe cabinet was 41.3%, the lowest level among all generations.

In addition, the Abe cabinet's support rate was low among younger generations, as seen from such figures as 43.8% among those in their 20s and 44.1% among those in their 30s. Abe is giving priority to his policy of backing up "second chances," and he has shown his policy course of promoting full-time job opportunities for young people not in education, employment or training (NEET) and for part-time jobbers. This, however, does not seem to be very popular with them.

(7) Business circles hoping for economic exchange to be promoted between Japan, China, following summit

NIHON KEIZAI (Page 5) (Full)

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October 9, 2006

The Oct. 8 meeting between Prime Minister Shinzo Abe and Chinese President Hu Jintao has effectively worked to assuage concern about the possibility that economic relations between Japan and China might also become strained. Business leaders are now hoping to see an expansion of business relations with China, given that country's sharp economic growth, particularly in the coastal areas, where there is a potential consumer market. Still, some of the many companies that have invested solely in China are worried about an excessive concentration of investment in China.

Concern about deterioration of economic ties with China abated

In response to the Japan-China summit, a welcoming mood is sweeping across Japan's industrial circles. President Eizo Kobayashi of

Itochu Corporation, which has 67 companies that have invested in China, stated, "I hope that economic cooperation between Japan and China will enter a new era." Hitachi issued a statement noting, "We hope to see the friendship between Japan and China deepen following the recent summit meeting."

The spreading sense of relief in the business world reflects the gradually deepening economic interdependence between Japan and China. According to the Finance Ministry, Japan's total trade with China, including Hong Kong, topped that of the United States with China in 2004. An increasing number of Japanese companies are now eager to invest directly in China, eyeing that country's potential as a consumer market.

Matsushita Electric Industrial Co. has stepped up efforts to promote sales of digital appliances such as flat-screen TVs and large household appliances in China, setting the target of recording sales of one trillion yen. The company released a comment saying, "We anticipate that improvement in Japan-China relations will promote economic exchange."

President Hitoshi Ogita of Asahi Breweries, who suffered losses following the anti-Japanese demonstrations in China last April, said, "I am looking for progress to be made on the historical issue and on rights to develop marine resources." Suntory President Nobutada Saji remarked, "I highly appreciate Prime Minister Shinzo Abe's visit to China right after the inauguration of his government."

Banks and other financial institutions are expecting to be allowed to open more branches in China. Since the Koizumi administration was launched in 2001, Chinese authorities have allowed only Mizuho Corporate Bank and Mitsui Sumitomo Bank to open branches in Wuxi Shi and Hangzhou, respectively. HSBC of Britain has already been authorized to open four branches. Some attribute this situation to former Prime Minister Junichiro Koizumi's visits to Yasukuni Shrine.

A growing number of Japanese firms, however, are now turning their attention to countries or regions other than China. This is the so-called "China-plus-one" trend, which is attributed to a rise in personnel costs, mainly in coastal regions, as well as an ongoing review of the preferential tax measures China has introduced for foreign investors. Some companies are worrying about whether China's current high economic growth will be long lasting.

Meanwhile, Japan doubled its investment in India in 2005 over the previous year. Some companies are willing to diversify their

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investment destinations, with Honda Motor's decision to boost its production capability in Vietnam by 30% by 2007. An official of the Japan External Trade Organization's (JETRO) Chinese and North Asian Affairs Division commented, "Our perception that over-concentrating investment in China is risky."

(8) Akie Abe, wife of Prime Minister Abe, who speaks Korean, becomes topic of conversation in Seoul; Reads Korean poem for elementary school children; Receives great applause from students

SANKEI (Page 6) (Full)
October 11, 2006

Katsuhiro Kuroda, Seoul

Akie Abe, who visited South Korea along with her husband, Prime Minister Shinzo Abe, was very popular in Seoul. Known for being a fan of South Korean culture, she has been studying Korean. She gained popularity among Koreans by showing her ability in that language.

The First Lady visited an elementary school in Seoul. Attending a Korean class for students in the second grade, she read out a poem in Korean from a textbook. Her reading was greeted with applause from the students and their teacher.

At a dinner party hosted by President Roh Moo Hyun, she enjoyed a

simple conversation in Korean with Kwon Ryang Suk, the president's wife. Her ability of Korean was noticed and talked about. Mrs. Abe reportedly has been studying Korean for about three years. The Korean side gave her high marks, with one saying, "The level of her Korean is considerably high for a foreigner."

Since it has been reported that Akie is an ardent fan of Korean culture, Korean people have had a strong interest in her. She was the center of media attention. In a column titled "Japan's First Lady's cultural diplomacy" in its issue on Oct. 10, The Dong-A Ilbo lauded her expected role to ease the strong sentiments of the peoples of both countries. The newspaper expects her to play such a role in the future.

SCHIEFFER